

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FIFTY-EIGHTH ANNUAL REPORT

For the year ended December 31, 1968

New York, April 4, 1969

To the Stockholders of

CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

The Fifty-eighth Annual Report of the Board of Directors, for the year ended December 31, 1968, is submitted herewith:

Under an indenture dated October 16, 1924 the properties of Carolina, Clinchfield and Ohio Railway and its subsidiaries were leased to Atlantic Coast Line Railroad Company (now, by merger, Seaboard Coast Line Railroad Company) and Louisville and Nashville Railroad Company for a period of 999 years from May 11, 1923, at an annual money rental which now and during the remainder of the term of the Lease is 5% on \$25,000,000 of Capital Stock, or \$1,250,000 annually. The payment of such money rental is to be made in equal quarterly installments on the first day of January, April, July and October of each year. Quarterly dividends at the rate of 5% per annum on the Railway's \$25,000,000 Capital Stock were paid out of the money rental received from the Lessees during 1968.

In addition to the foregoing money rental, the Lessees agreed to pay the interest charges on the outstanding funded debt of Carolina, Clinchfield and Ohio Railway and on any bonds that may be issued to refund the same. The Lease also provides that the Lessees shall pay all charges and other expenses in connection with the payment of such interest, shall pay all taxes upon the franchises and leased property and the income thereof, and shall also pay a limited sum for the annual corporate expenses of the Lessors. All rental payments under the Lease are the joint and several obligations of the Lessees.

BOARDS

MRB

(closed)?

Postal 2-3-69

9652.097

"no longer published"

C 221 r

Included with consolidated report of Southern Railway Company

The Lease provides that, in the case of the issuance of any additional capital stock of the Railway, it shall be stock of a class which has no right to participate in any dividends declared from the money rental above mentioned, which has been fixed at the amount specified for the purpose of enabling the Railway to pay dividends upon \$25,000,000 par value Capital Stock at the rate of 5% per annum, and is not intended to be used for any other purposes whatsoever. In consideration of this money rental, each stockholder agrees with the Lessees that he will vote his stock in such manner as is necessary to carry out certain provisions of the Lease from time to time.

The making of the Lease was authorized by the Interstate Commerce Commission on June 3, 1924 (Finance Docket No. 3131). Possession of the leased properties was delivered to the Lessees on December 1, 1924 and the first payment of the money rental under the Lease was made to the Lessors on April 1, 1925.

Submitted as a part of this report are a summary of the operation of the leased properties, a copy of the consolidated general balance sheet, a consolidated statement of income and earned surplus, a statement of mileage and a summary description of the funded debt.

For the Board of Directors,

W. B. FRANKE, *President.*

MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiary, Carolina, Clinchfield and Ohio Railway of South Carolina, is as follows:

Carolina, Clinchfield and Ohio Railway:	<i>Miles</i>
Main line: Elkhorn City, Ky., to N. C.-S. C. state line	258.76
Branch lines: Canay, Va., to Moss, Va.	14.53
Bostic Yard, N. C., to junction S. C. L. Railroad	.79
Carolina, Clinchfield and Ohio Railway of South Carolina:	
Main line: N. C.-S. C. state line to Spartanburg, S. C.	18.02
Total	292.10

The lines of this Company have, since December 1, 1924, been operated by the Lessees under the name of "Clinchfield Railroad Company".

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights held by the Carolina, Clinchfield and Ohio Railway System:

Chesapeake and Ohio Railway, Elkhorn City, Ky.	.13
Southern Railway, Frisco Yard, Tennessee, to Greenland, Tennessee	13.82
Total	13.95

This makes the total mileage operated by the Lessees under the Lease 306.05 miles.

RESULTS OF OPERATIONS BY LESSEES

The following is a summary of the operation of the leased properties as reported by the Lessees:

	1968	1967
Railway operating revenues	\$30,328,254	\$30,513,448
Railway operating expenses	18,593,006	18,150,076
Net revenue from railway operations	11,735,248	12,363,372
Railway tax accruals	2,974,893	2,809,975
Railway operating income	8,760,355	9,553,397
Equipment rents	754,097	771,527
Joint facility rents	83,643	125,425
Net rents	670,454	646,102
Net railway operating income	9,430,809	10,199,499
Non-operating income	60,346	97,712
Total income	9,491,155	10,297,211
Total fixed charges and other deductions	3,561,674	3,711,497
Net income to Lessees	\$ 5,929,481	\$ 6,585,714

CAROLINA, CLINCHFIELD

CAROLINA, CLINCHFIELD AND OH

CONSOLIDATED GENERAL

DECEMBER

ASSETS

Current Assets:	1968	1967
Cash	\$ 7,994	\$ 4,648
Special deposits	10,822	11,822
Rent receivable	312,500	312,500
	<u>331,316</u>	<u>328,970</u>
Investments:		
Road and equipment property:		
Road	45,545,317	45,147,910
Equipment	460,293	528,078
General expenditures	3,588,402	3,590,284
Construction work in process	382,014	127,479
Other elements of investment (Note 1)	18,132,284	18,123,944
	<u>68,108,310</u>	<u>67,517,695</u>
Accumulated depreciation	7,570	8,157
Investment in transportation property less depreciation	68,100,740	67,509,538
Miscellaneous physical property	62,563	62,563
Total investment less recorded depreciation	<u>68,163,303</u>	<u>67,572,101</u>
Deferred assets	1,857,293	1,833,518
TOTAL ASSETS	<u>\$70,351,912</u>	<u>\$69,734,589</u>

NOTES:

(1) The amount in "Other elements of investment" above is the excess of the costs recorded in the accounts of the Company over the valuation of the property as determined by the Interstate Commerce Commission for rate-making purposes. By agreement with the Commission, proportions of this account will be cleared as substantial retirements are made.

(2) Surrendered to Trustee for cancellation \$1,115,000 and held in custody account of Lessees for future sinking fund payments \$473,000.

AND OHIO RAILWAY

ND

IO RAILWAY OF SOUTH CAROLINA

ERAL BALANCE SHEET

R 31, 1968

LIABILITIES

Current Liabilities:	1968	1967
Interest matured unpaid	\$ 30	\$ 30
Income taxes withheld from employees	88	87
Unmatured dividends declared	312,500	312,500
Clinchfield Railroad Company	473,000	422,000
First Mortgage Bonds and premiums called for redemption	10,000	11,000
Excess cost of Bonds over sinking fund payment	254	
	<u>795,872</u>	<u>745,617</u>
Deferred liabilities	12,401,287	11,451,070
Funded debt unmatured:		
First Mortgage 4½% Bonds, Series B:		
Issued	16,800,000	16,800,000
Reacquired (Note 2)	1,588,000	1,124,000
	<u>15,212,000</u>	<u>15,676,000</u>
Capital stock	25,000,000	25,000,000
Surplus:		
Unearned surplus	16,862,325	16,862,325
Earned surplus (deficit)	80,428	(423)
	<u>16,942,753</u>	<u>16,861,902</u>
TOTAL LIABILITIES	<u>\$70,351,912</u>	<u>\$69,734,589</u>

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

AND

CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
Income:		
Income from lease of road and equipment	\$1,972,426	\$1,992,680
Miscellaneous income	120,113	78,094
Total income for year	2,092,539	2,070,774
Deductions from income:		
Maintenance of corporate organization	22,137	25,117
Interest on bonds	696,945	715,414
Amortization of discount on funded debt	19,250	16,913
Miscellaneous debits	23,356	641
Total deductions	761,688	758,085
Net income for year	1,330,851	1,312,689
Earned surplus (deficit), January 1	(423)	(63,112)
	1,330,428	1,249,577
Less—Dividends paid (\$5.00 per share)	1,250,000	1,250,000
Earned surplus (deficit), December 31	\$ 80,428	\$ (423)

SUMMARY DESCRIPTION OF FUNDED DEBT

DECEMBER 31, 1968

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FIRST MORTGAGE 4½% BONDS, SERIES B:

Dated April 1, 1965, due April 1, 1990, secured by first mortgage on the line of railway and other property from Elkhorn City, Kentucky, to the North Carolina-South Carolina state line, 274 miles, by equipment, and by the entire capital stock (\$12,000) and \$3,000,000 aggregate principal amount (entire issue) of First Mortgage Gold Bonds of Carolina, Clinchfield and Ohio Railway of South Carolina, extended to April 1, 1990. Amount authorized and issued, \$16,800,000; subsequently reacquired by Lessees \$1,588,000, including \$1,115,000 retired through sinking fund; outstanding \$15,212,000. Bonds unconditionally guaranteed as to principal, premium, if any, interest and sinking fund payments jointly and severally by endorsement by Atlantic Coast Line Railroad Company (now, by merger, Seaboard Coast Line Railroad Company) and Louisville and Nashville Railroad Company. Trustee: Morgan Guaranty Trust Company of New York. Coupon bonds of the denomination of \$1,000, registrable as to principal. Registered bonds, without coupons, of the denomination of \$1,000 or any multiple of \$1,000. Coupon bonds and registered bonds without coupons are interchangeable and transferable. Interest payable April 1 and October 1 at Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N. Y. 10015. Redeemable on or after April 1, 1970, as a whole or in part, after not less than 45 days published notice at prescribed redemption prices, plus accrued interest. Annual non-cumulative sinking fund of \$336,000 to be applied to the purchase or redemption of bonds.

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

BOARD OF DIRECTORS

A. D. EARLY	New York, N. Y.
W. B. FRANKE	Rutland, Vermont
J. CALVIN KNOTTER	New York, N. Y.
W. J. McDONALD	New York, N. Y.
FLOYD T. STARR	Philadelphia, Pa.
H. EVERETT WOODRUFF	Clearwater, Fla.

OFFICERS

W. B. FRANKE	<i>President</i>
A. D. EARLY	<i>Vice-President</i>
W. J. McDONALD	<i>Vice-President</i>
W. G. DAKIN	<i>Secretary and Treasurer</i>
E. E. WOODRUFF	<i>Ass't Sec'y and Ass't Treasurer</i>

NEW YORK OFFICE	1 Chase Manhattan Plaza New York, New York 10005
-----------------------	---

*Stock Transfer Agent
and
Dividend Disbursing Agent*
CHEMICAL BANK
20 Pine Street
New York, New York 10015

Stock Registrar
BANKERS TRUST COMPANY
16 Wall Street
New York, New York 10015